

## Message Text

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PAGE 01 ABIDJA 06165 221004Z

21

ACTION AF-06

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R 211718Z JUL 75

FM AMEMBASSY ABIDJAN

TO SECSTATE WASHDC 4302

INFO AMEMBASSY BAMAKO

AMEMBASSY COTONOU

AMEMBASSY DAKAR

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY NIAMEY

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: EFIN, IV

SUBJECT: CHANGES IN IVORIAN BANKING LAWS

1. SUMMARY: THE IVORIAN NATIONAL ASSEMBLY'S ECONOMIC AND FINANCE COMMITTEE MET LAST WEEK TO BEGIN REVIEW OF A NEW BANKING LAW FOR IVORY COAST. THE MOST SIGNIFICANT CHANGE IN THE LAW ELIMINATES THE DISTRICTION BETWEEN "BANQUES D'AFFAIRES" (INVESTMENT BANKS) AND "BANQUES COMMERCIALES" (COMMERCIAL BANKS). HOW THIS WILL OPERATE AND EXACTLY WHEN IT WILL TAKE EFFECT IS NOT YET KNOWN, BUT EMBASSY BELIEVES PROCEDURES WILL BE APPLIED EARLY FALL.

2. MIN FIN HENRI KONAN BEDIE AND LAMINE DIABATE, IVORIAN DIRECTOR OF BCEAO (CENTRAL BANK) MET WITH NATIONAL ASSEMBLY COMMITTEE FOR ECONOMIC AND FINANCIAL AFFAIRS LAST WEEK TO EXAMINE A PROPOSED REVISION OF THE IVORIAN BANKING REGULATIONS. STEPS WERE TAKEN BY THE COMMITTEE TO BRING

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PAGE 02 ABIDJA 06165 221004Z

IVORIAN REGULATIONS MORE IN LINE WITH MODIFIED POLICY DIRECTION

AND CONTROL ESTABLISHED BY THE UNION MONETAIRE OUEST AFRICAINE (UMOA) WHICH HAS CLOSELY CONTROLLED BANKING POLICY IN FRANCOPHONE WEST AFRICA. BEDIE'S PRESENTATION STRESSED THAT THE NEW LAW WOULD GIVE LOCAL COMMERCIAL BANKS MORE FREEDOM AND DECISION-MAKING ABILITY AND THEY WOULD THUS CONTRIBUTE MORE TO THE FINANCIAL GROWTH AND DEVELOPMENT OF THE COUNTRY.

3. PRINCIPAL MODIFICATIONS OF THE LAW ARE AS FOLLOWS:

A) LAW WILL ONLY CONCERN ITSELF WITH THE ORGANIZATION OF PROFESSIONAL TRADE AND RELATED ACTIVITIES. REMOVING A NUMBER OF RESTRICTIVE LIMITATIONS ON BANKING ACTIVITIES, IT WILL HOWEVER, INCLUDE PROTECTION FOR DEPOSITORS AND TAKE ANY MEASURES NECESSARY TO INSURE THE SAFETY OF DEPOSITS IN BANKS AND OTHER FINANCIAL INSTITUTIONS.

B) DISTINCTION FORMALLY MADE BETWEEN COMMERCIAL, INVESTMENT, MERCHANT, AND DEVELOPMENT BANKS WILL BE DROPPED. BANKS AND FINANCIAL ORGANIZATIONS WITH SPECIFIC LEGAL STATUS (I.E., SAVINGS BANKS, DEVELOPMENT BANKS, LEASING CORPORATIONS, ETC.) WILL HAVE SAME REQUIREMENTS AS COMMERCIAL BANKS AND MUST PERIODICALLY SUBMIT INFORMATION ON ALL ACTIVITIES TO THE CENTRAL BANK REGIONAL OFFICE IN ABIDJAN. (N.B. THIS MOVE REQUIRES FURTHER CLARIFICATION BECAUSE WE SEE THIS AS GIVING A "BANQUE D'AFFAIRES" (INVESTMENT/MERCHANT BANK) MORE FREEDOM OF ACTIVITY THAN UNDER PRESENT LAW. THUS, U.S. BANKS OPENING UNDER BANQUE D'AFFAIRES STATUS, E.G., FIRST NATIONAL CITY, WOULD ALSO NOW BE PERMITTED TO PERFORM ALL ACTIVITIES OF A COMMERCIAL BANK.)

C) CENTRAL BANK WILL PRIMARILY USE ITS CONTROL OVER THE RESERVE REQUIREMENT AS WELL AS THE REDISCOUNT RATE TO INTERVENE IN CREDIT POLICIES OF SPECIFIC INSTITUTIONS.

D) UNDER THE NEW PROCEDURES THE BANKING CONTROL COMMISSION WILL ONLY BE RESPONSIBLE FOR INVESTIGATIONS OF ALLEGED BREAKING OF REGULATIONS AND HOLDING HEARINGS ON SUCH ALLEGATIONS.

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PAGE 03 ABIDJA 06165 221004Z

E) PENALTIES FOR BREACHES OF CONDUCT BY BANKS WILL EVENTUALLY BE DEvised BY THE RESPONSIBLE NATIONAL ASSEMBLY COMMITTEE UNDER THIS NEW LAW. THE CENTRAL BANK IS GIVEN THE POWER TO ADMINISTER THE LAW AND IMPOSE SUCH PENALTIES AS IT DEEMS NECESSARY.

F) CENTRAL BANK WILL CONTINUE TO HAVE THE AUTHORITY TO SURVEY AND EXAMINE THE PRACTICES OF INDIVIDUAL

BANKS AND FINANCIAL INSTITUTIONS AT ANY TIME.

4. MOST OF THESE CHANGES ARE RELATIVELY INSIGNIFICANT EXCEPT AS NOTED IN 2(B). SEVERAL AMERICAN BANKS, E.G., FIRST NATIONAL CITY, FIRST NATIONAL CHICAGO, AND CHASE MANTATTAN-- HAVE ALL EXPRESSED INTEREST IN OPENING BRANCH BANKS OR REPRESENTATION OFFICES IN ABIDJAN. TO DATE ONLY FNCB HAS ACCEPTED THE PROPOSAL OF THE GOIC TO COME IN AS A "BANQUE D'AFFAIRES." WITH THIS MODIFICATION IN THE BANKING LAW THERE MAY BE INCREASED INTEREST ON THE PART OF U.S. BANKS IN ESTABLISHING REPRESENTATION IN ABIDJAN. ONE DETERRENT REMAINS HOWEVER, GOIC REQUIRES THAT THE INSTITUTION ESTABLISHING A BRANCH IN ABIDJAN CAPITALIZE ITS INVESTMENT AT A MINIMUM LEVEL OF \$1 MILLION. IN JANUARY THREE BANKS, E.G., FNCB, FIRST NATIONAL CHICAGO, AND BANCO REAL DE BRAZIL, WERE ALL GRANTED "BANQUE D'AFFAIRES" STATUS, ONLY FNCB HAS ACCEPTED THAT OFFER. IT IS ALSO DIFFICULT TO PREDICT HOW SUCCESSFUL AMERICAN BANKS WILL BE CARVING OUT A VIABLE SHARE OF A RELATIVELY SMALL MARKET WITH THE NUMBER OF WELL-ESTABLISHED, PRIMARILY FRENCH-OWNED COMMERCIAL BANKS. SMITH

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